

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Contact Telephone Number:

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LEGEND

B= Scholarship Program
C= Geographic Area
D= Geographic Area
x= number
y= dollar amount

Dear _____ :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated June 16, 2011.

Our records indicate that you are recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates you will operate a grant-making program called B.

The purpose of B is to provide financial assistance to college students who have demonstrated academic achievement and community service during their high school years. The number and amount of scholarships will be determined by your board of directors each year based on your financial condition and your commitment to other charitable organizations. However, generally you plan to give x scholarships for y dollars each.

B is open to all legal residents of C and D, who will be or are high school seniors graduating in the spring of the current calendar year, and plan to, or do enroll in a full-time undergraduate course of study at an accredited four-year college or university, in the United States or Canada for the fall term of the next school year. All candidates will complete an application form and submit an official current transcript of their grades. Applicants will be judged on the following criteria:

- a. Commitment to school and community service activities.
- b. The applicant's list of school and leadership awards and honors.
- c. Appraisal form completed by a school representative, community advisor, coordinator, supervisor, or leader.
- d. The applicant's short essay on one school or community service experience, including a description of how the experience benefited others, and what happened in the applicant's life of the life of the applicant's family as a result of the activity.
- e. A grade point average at a 2.5/4.0 level or higher.

To ensure all scholarships are awarded on an objective and non-discriminatory basis, your board of directors has established an independent scholarship committee which consists of four persons. The scholarship committee is responsible for the review of scholarship applications and the selection of scholarship recipients in accordance with guidelines established by your board of directors.

Award recipients will be notified at the end of August in the same calendar year that the scholarship was awarded to them, and they must acknowledge that they will accept the award. In the event the recipient does not graduate from high school, drops out of high school, or does not enroll in an accredited institution for study during the current school year, the award will be forfeited and will be awarded to an alternate recipient.

You will document the selection process and retain all records with respect to the selection process, including information used to evaluate the qualification of potential grantees (applications), identification of grantees, the amount and purpose of each grant, and all grantee reports and follow-up data. Records will be retained from application to awarding of scholarships, and all the way through completion of the final year that a grantee receives a scholarship award.

You will write all scholarship checks jointly to both the school and the grantee, and send the check directly to the school, with instructions that the award must specifically be used for qualified tuition (in accordance with section 117(a) of the Internal Revenue Code). Both parties must sign the check, so once the school receives the check, it keeps the check and contacts the student to come to the school's bursar office to co-sign the check. The check will not be directly sent to the grantee, so he or she cannot use the funds for any other purpose.

The scholarships paid are per annum as long as the grantee remains a full-time undergraduate student at the same college or university and maintains a minimum GPA of 2.5. Failure to continue to meet these requirements will result in an automatic forfeiture of future scholarship grant payments.

Arrangements are made to receive a report of the grantee's courses taken and grades received throughout the academic period for which the scholarship is awarded. It is the grantees responsibility to notify you and provide his or her grades for the school year that was just concluded. You contact the educational institution to obtain verification from the educational institution that the grantee did attend for the full academic year and also obtain verification of the grade information. This process is performed on at least an annual basis.

Should there be any instances of diverted funds, you will withhold future payments and make all reasonable efforts to recover the diverted funds.

Relatives of your active alumni members will be eligible to receive scholarships. However, applications from relatives of alumni will be reviewed by non-alumni members of the scholarship committee and the same set of criteria must be met as for all other scholarship applicants.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code

and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request. The effective date of our approval is June 16, 2011, which is the date your request was submitted.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

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